

SOCIAL CREDIT

MADE EASY

IN

A Series of Ten Lessons

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LESSON No. 1

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NOTICE

This is the first of a series of ten Lessons explanatory of Social Credit as advocated by the writer and including general explanations of the system as first propounded by Major Douglas and others, but now materially modified by the present writer, who was Social Credit candidate for South Centre, Winnipeg, in the recent Federal elections.

The series of ten will be issued at regular intervals covering the next few months, depending in part upon the support which this initial issue receives.

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Correspondence covering doubtful points which arise as the course proceeds will be welcomed from subscribers, with a view to treatment of such points in later issues.

PREFACE

The only proposal before the public at the present time for curing the ills from which the economic system suffers, which has any objectivity whatever towards the practical problem is Social Credit.

This being so it is necessary for everyone to examine it with care, so that no haphazard decision, either of acceptance or of rejection, may be come to in regard to it, but one founded upon understanding.

Hence this series of Lessons on Social Credit, which are justified only insofar as they meet the requirement set out, and convey understanding of the problem with which humanity is faced and of the connection with that problem of the solution proposed. Moreover, a clear picture must be presented of the solution actually in operation, as it is not to be expected that men will readily take a leap into the dark, merely to escape present ills. Some there are who are ready for such a leap, but the great body of people wish to see where they are going.

Social Credit doctrines are in course of formation and are still liquid in consequence. The several plans before the public will be examined during the series, with a view to assisting the Student to a final decision between them. The differences are considerable, though all the plans have a common objective in the search for Social Justice, and within that common objective much in the way of compromise is possible.

It is important however that Social Credit should not fail owing to adoption of the wrong plan.

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THE PRESENT ECONOMIC ORDER

The present economic order under which we live is an automatic self-regulatory organism, based upon the principle of action and reaction, the free interplay of opposed forces, bringing about the adjustment of economic relationships between all parts of the economic structure, which is a criss-cross of relationships intimately intertwined and delicately balanced.

This structure moreover has "invented itself" as it were, having evolved along with man in his evolution and in the same manner through eons of time, and will continue to do so despite the "planners." For instance, there is evidence that ancient Babylon had a fully fledged financial system, describable as capitalistic according to the standards of that time, and development since then has been along a straight line of evolution, and will so continue.

Like all other organisms it has a constant trend towards increased complexity in its expression of progress: and pays the price of progress in the phenomena which we describe as depression. Being man-made, even though largely the product of the unconscious side of man's make up, it suffers from the defects of its merits, and just as with man laughter and tears, joy and sorrow, are always closely allied, so depression is always present in the boom in embryo. The boom produces the depression and the depression the boom.

No policy of perfection has any value whatever in prescribing a cure for the ills of capitalism; and furthermore there is at all times a presumption in favour of the present system, notwithstanding the palpable evils which it contains, for it is the expression of the spirit of man, even in its failures.

But do we need to suffer as we are doing, in which suffering all share, but not equally?

The problem of the day then is to eliminate or reduce to manageable proportions certain of the present evils without bringing in new evils in the train

of reform. This is the problem, rather than that of building an entirely new social order, and in fact we can in any case most probably only get to a new order by building upon the present one.

THE OBJECTS OF SOCIAL CREDIT

Social Credit represents an attempt to free the present capitalistic system of economics from the shackles placed upon it by certain trends developed within the system itself and which prevent the productive forces of industry and commerce from having free play, in the performance of their proper duty to society.

The existence of such trends can be postulated, whether or not it is possible precisely to identify them. They certainly cannot be denied.

That attempt consists in a breaking away from the traditional method of distributing claims upon the product through the medium of wages paid to workers and profits (interest, etc.) paid to the owners of capital, by the payment of a basic dividend of arbitrary amount to every member of society without distinction and as a primary claim upon the total product, the balance of the total product being distributed as heretofore. It utilises the credit instrument for the purpose of effecting a social good; hence **Social Credit**.

It is submitted that this change, drastic as it may appear to minds unattuned to change, is entirely justified in face of the emergency which palpably exists and the ever present danger of chaos developing out of that state of emergency. In other words, the experiment is well worth a trial, and is a real attempt to deal with a real ill, which has brought society to a state of deadlock.

As a matter of fact, the change, notwithstanding its appearance of containing revolutionary characteristics, is actually mild compared with what has already been so vainly tried out: though it is none the less to be considered that in its ultimate effects Social

Credit will bring about a complete reconstruction of present day society, but will do it by a process of slow orderly evolution, of a step at a time and no more. It will, however, in its development change completely many of our values and our way of doing things, and it is not a mere patchwork change as sometimes charged by its enemies, who will use anything as a pretext for destroying it, so virulent is their hatred of it, founded upon lack of understanding of its power for good and upon the fear of the unknown which characterises man in the savage and untutored state, in which so many moderns still live despite our boasted civilisation.

THE TECHNIQUE OF CHANGE

Social reformers suffer from a common error, they overlook the technique of change.

In the invention of a new machine the inventor is always limited to the available materials, but can do with those materials what he pleases; the social reformer however has an additional limitation, the unwillingness of men to be reformed. And the proposals of the reformer must therefore always have relativity to the philosophic concepts of men and their psychological content. Men's current opinions must be regarded.

Thus, the average man attaches importance to the concept of family, to which in turn he attaches the private property concept, for unless he can accumulate private property how may he protect his family, and so he easily acquires the profit concept as a base for economic or business relationships.

How easily will he part from those ideas? Not very easily, and that is shown by his tenacity in hanging on to them in face of much discouragement. The French peasant returning to his home under continual bombardment during the Great War is an example of this. And the present depression finds these basic concepts unimpaired in their vitality.

The reformer does not then have a free hand in

making changes. Tomorrow must be built upon to-day, without any gap left in between. There is no hiatus in time, nor yet in social evolution. He who would move too fast will continue to stand forever in the same place, which is what has been happening to us.

But move we must.

THE DYNAMICS OF CHANGE

Having decided that move we must, and that any move made must be acceptable to men in the mass, we are under the necessity of locating the social force capable of bringing the change about, the dynamic.

Karl Marx visualised this in the class struggle, the struggle between the owning class and the dispossessed, culminating in the increasing misery of the proletariat and revolution, bloody or otherwise, out of which comes the capture of political power by the dispossessed, and the new social order built there-upon.

The dynamic we visualise is the power of reason, the grasping of an understanding of what is needed to make the present order over into a workable social organism, and consciously using the conclusions reached.

But are the masses capable of reasoning this question out? Of their own initiative certainly not, for the creative spirit represents a faculty very unevenly granted to the sons of men, and we may as well face the fact, but they can select between alternative policies presented to them in concrete form.

The payment of Basic Dividends is so patently directed against one of our major evils, recognised by all as such, that it provides a powerful weapon in the hands of a force working in the direction of change—the Basic Dividend is a concrete expression of a real attempt to improve conditions for the masses, which is easy to understand. Connected with sound theory it becomes invincible. That is why it is so much feared by the reactionaries, for they see the

writing on the wall. They do not fear Socialism any more, but Social Credit is the enemy, which must be ridiculed out of the consideration of the common man. Let the common man beware of the deceptive tactics that are being used. *Divide et impera* (divide and govern) is the method, and up to now it has always worked.

And certain advocates of Social Credit are falling into the pit prepared for them, by entering upon the advocacy of Social Credit without first getting understanding of their own material.

WHY SOCIAL CREDIT?

The answer to this is that the payment of Basic Dividends which is inseparably associated with the Social Credit thesis, is objectively directed towards the cure of the errors of capitalism, and the risks of adopting Social Credit are small indeed compared to the risks of continuing as we are.

All the attempts by the economists, to analyse the causes of Depression, without exception balk at suggesting a cure. The Socialist cure is a complete change in our way of living, arrived at by one step, a step which the majority of people refuse to take for the reason alone that it is one step, and which moreover is a sound reason for rejection.

Is this an *impasse*? No, but it does mean that Social Credit is without a rival, and it is by way of being a tragedy that confusion as to the meaning of Social Credit is causing it to be repellent to the class which will be the first to benefit from its adoption.

Social Credit doctrine has been loaded down with details, and a haze of words, until it is impossible to see the wood for the trees. A great deal of dead wood needs to be cut out of the foreground of the picture.

As at present understood, Social Credit contains far too much of bureaucracy. It will be shown in due course that this is needless and a positive detriment. Men are tired of bureaucratic developments. The

advocates of Social Credit have failed as yet to grasp fully the potentialities of their own doctrines, and the little need there is of bureaucratic control under Social Credit.

Payment of Basic Dividends will give balance to society and will enable production to proceed on a high plane of activity compared with the present, and without loss of structural integrity, and many problems that are pure depression products will give way before that development without the need of special treatment. If the principle is right many details will take care of themselves, and we must not make the mistake of focussing too much attention on those details, or they will becloud the whole.

PROFITS. CAN WE ABOLISH THEM?

If the drive for profits is, as the Socialist tells us, the cause of our economic troubles, and it may well be so in part at least, what can we do about it?

Abolish the profit system? Of course, that will get rid of those troubles that arise out of profits, just as if we abolish honey bees we shall not get stung by honey bees, but how about the balance of nature of which the honey bee forms a part? Have you ever heard the story of the relationship between honey bees and the number of old maids? And then how about the honey?

And so, if we abolish profits, how about the gap which their abolition leaves in our economic system? Is not the more logical method to examine the place of profits in our system and see if we cannot, without losing our objective, counteract the evil effects which flow from the relationship in some other way than by the way of elimination?

Joseph Stalin can liquidate the whole Kulak class, but we cannot work that way: and the success of his method has not yet been proved, nor has the justification been found for his harsh methods of procedure.

A nice euphonious word "liquidate," much better than "murder," even though the cruelty of murder is in fact multiplied ten-fold by the process of "liquidation."

All scientific knowledge is a complete denial of "prohibitionist" methods of dealing with economic ills, except in a very limited field of endeavour.

Profits are a part of our system not as a random interjection, but as part of an evolutionary whole, related to man's qualities as a human being, and equally related to his defects also. These facts cannot be got rid of merely by ignoring their existence.

Social Credit will control profits by indirection, and control them effectively. Think it over

THE ECONOMICS OF PRIMITIVE SOCIETY

Primitive society has no economic problems, for in such a society producer and consumer are close together both in space and time. Often so close in time that famine intervenes, through failure to separate by providing that surplus for a rainy day which it is the constant desire of rational men to accumulate, but which in the accumulative process begets the economic problem.

How is this? Why should a legitimate desire to accumulate cause economic problems to arise?

The reason is plain. It follows from the nature of things, for men having set about the task of accumulation naturally desire to accumulate as efficiently as possible, and they do so by complicating the whole machinery of production and distribution, for they cannot achieve their purpose otherwise, and factors of time and space enter as a matter of course. In other words, wheat grown this summer in Saskatchewan is eaten next summer in the form of bread or what not, in Liverpool or Brussels, and is subject to certain financial vicissitudes in the meantime.

All handlers of the wheat, including the primary producers of it, have to be remunerated, as it passes

through their hands, in terms of wages and profits, even though the wheat is still unconsumed. This is far from simple barter.

The opportunity for mal-adjustment of supply and demand arises out of this separation, and further implications arise out of the necessity for expressing the wheat in terms of money values, or prices, during the interval of time which has arisen. The wheat now ceases to be merely wheat, and takes expression in terms of a money concept, and consequences follow in inevitable sequence and most often in subtle and obscure form.

We are getting somewhat complicated. But the actuality is more complicated still. You must be patient. Understanding will not come without effort of a sustained character for economics is not for the understanding of children though they be of adult age. The subject demands and must have close reasoning if errors are to be avoided: errors which are most likely to consist in complete misunderstanding of a given situation, for appearance and reality are often reversed in economics, as Karl Marx on many occasions so fittingly pointed out.

DOUGLAS SOCIAL CREDIT

The theory of Social Credit associated with the name of Major Douglas is based upon the comparatively simple and somewhat naive idea I might add that a factory in producing goods does not pay out in wages and dividends to individuals enough money to form purchasing power with which to buy back the goods produced, and that what appears to one factory must of necessity apply to the aggregate of all production so that of necessity there is a constant shortage of purchasing power in the hands of the public with which to take away from the point of production the goods which are being produced.

As a simple statement of fact the actual statement is of course the truth but unfortunately it is entirely without relevance to the problem with which we are faced, and the truth without relevance can only be described properly as untrue. What Major Douglas overlooks and his commentators have been slow to point out having been misled by the Major's flow of words is that purchasing power in the hands of individuals is necessary only for that portion of the total product which consists of consumption goods estimated to be only about 1/10th to 1/11th of the whole and as his proposition as a whole falls to the ground in so far as it is based on this idea, for purchasing power in the hands of the public may bear almost

any relation of deficiency or excess to this figure of only 1/10th or 1/11th of the whole.

Moreover, Major Douglas is compelled on his theory to postulate the depression following the boom, for if his simple analysis were correct we should be in depression all the time. The depression following the boom cannot be postulated, but must be linked by a complete chain of cause and effect.

But in the fall of the whole, there are some parts left which gathered together give us the clue to the true situation, and for this we must thank Major Douglas for pointing us to what is wrong: though Karl Marx equally gave us the clue 80 years ago but no one took any notice, because it was tinged with materialism and other postmaster conclusions of an erroneous nature. Your pill must be sugar-coated as well as curative of illness if it is going to do your patient any good, for it will not cure any complaint till it is swallowed.

It is possible, however, that neither Marx nor Douglas got any more than a clue to the full solution, which lies no doubt in the area touched by both enquiries. There are difficulties about the Marxian analysis as well as with Douglas. William Aberhart may have got nearer than either, as he has undoubtedly in the political field, in which he alone has achieved success, which fact has a meaning for those with eyes open.

It is a fact of common observation that Purchasing Power in the form of effective demand does disappear out of the market as depression gets under way, but not for the reasons nor in the manner that Major Douglas suggests in his main postulate. Nor can the Marxian analysis be wholly accepted, and certainly not his cure.

Every producer is also a consumer; but if A. ceases to produce he must also cease to consume, and ceasing to consume he causes B. to cease to produce, and the chain of causation spreads like a prairie fire if the circumstances favour it, if the grass is dry. And so purchasing power is no longer in the pockets of men, and King Depression reigns supreme. But still we have not made clear the first link in the chain. It arises out of the dual relationship of men as producers and consumers. Men are a part of their own environment. But we will return to this point later, for it is not yet fully treated.

Owing to a new factor of purely modern growth, incompletely described as mass production, the reverse chain of causation is constantly becoming harder to start up into action. That is, the chain started when A. in buying causes B. also to buy, and C. and so on, this chain is now so hard to start that we show a tendency to stall at the bottom of depression, and cannot get out of the pit after being so unfortunate as to fall into it, for until production has reached a certain volume in recovery, the ultra modern machine of production runs only jerkily and with reluctance.

Hence a great urgency that we should keep out of depression in future, and avoid the boom-depression cycle if possible, or at least get early control of it, and this is where Social Credit enters the picture, for only as a governor of the system as a whole can the Basic Dividend be justified, and not as a mere distributor of purchasing power, as commonly regarded. This point is vital to understanding, and has few adherents among Social Credit advocates at present.

THE LACK OF PURCHASING POWER

What causes A. at the top of the boom to cease to produce or B. to cease to consume as the first link in the chain of cause and effect leading to depression?

It is a state of dislocation within the system arising in part (a) out of a structural defect associated with the balancing process already referred to, and in part (b) out of rigidities introduced into the system from without. As the tempo of the system increases with the boom, a wobble is to be observed and riders on the boom begin to take alarm as the wobble gets more pronounced, a vicious circle is then entered, and the stage for depression is set.

The structural defect is in the process of acquiring balance, in the self-regulating mechanism. This mechanism does not react quickly enough to meet the new tempo set by the age of power, in its manifestation of boom or indeed of depression. **It is not wholly automatic**, and the element of conscious direction of events always present begins to make mistakes and confidence, on which the whole economic superstructure is built up, is lost. The human factor enters more and more, and the scurry for cover begins, and causes the very development that it is the aim to avoid.

This is nebulous and hazy of course, on a first approach to it, but the whole process is tenuous and rhythmic in character and defies definition within narrow lines. Who can describe the art by which a dancer keeps in step? The Social Forces are in continuous motion, following the tune of the dance. Music is a mathematical progression, but what of the function of discord? Where do social discords enter? What of the imponderables composing the human factors of which the economic structure is merely the totality of expression? Let your thought dwell on these hints. Roll them over your tongue for a while. Let your mind toy with them.

Can the economic structure in the last analysis be

reduced to a simple machine-like formula? Not as long as men proceed by the rule of contrary when they translate thought into action, but it can be reduced to certain laws of motion, as long as we understand the nature of the forces involved.

THE CAUSE OF DEPRESSION

The cause of depression from one point of view then is the loss, under circumstances which periodically and of necessity arise, of structural integrity of the economic system. Order is lost, and rhythm becomes discord.

The cure in main part then lies in the development of strong compensatory reflexes in all the cells of which the social system is composed, the whole two billions.

Hence the Basic Dividend, paid to every member of society, within a given unit.

It creaks, it groans, it cracks; and when it cracks *facilis est descensus Averno*, and do not we of this generation know it!

If Social Credit prevents the crack extending, it will be worth while. The risks attending that extension are nowadays too great to be willingly accepted. It should not however be considered that Social Credit is a doctrine of perfection, but merely one that holds to an Ideal, that of Social Justice, realising that it is at no time more than approximately attainable.

Upon which more anon.

NOTE

In the next Lesson it will be explained how we are in a state of unstable equilibrium: and not in a state of stable equilibrium as declared by the orthodox economists; and that this is the *whole* secret of our difficulty.

The modern economists present us with a picture of what does *not* exist.